

Message Text

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ACTION EB-07

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INFO AMCONSUL HONG KONG

C O N F I D E N T I A L PEKING 300

E.O.11652: GDS

TAGS: ENRG, ETRD, CH, US

SUBJECT: MOBILE AND GULF OIL DISCUSSIONS ON FUTURE

PURCHASES OF CRUDE OIL FROM CHINA

REF: 75 PEKING 396

1. SUMMARY. IN THE PAST TWO WEEKS GULF AND MOBILE OIL COMPANIES HAVE VISITED PEKING TO RENEW BUNKERING CONTRACTS SIGNED LAST YEAR WITH PRC SHIPPING CORPORATIONS. THE CHINESE ALSO OFFERED CRUDE FROM THE SHENGLI OIL FIELD. NEITHER FIRM IS BUYING AT PRESENT BUT BOTH FIRMS REMAIN INTERESTED IN FUTURE PROSPECTS OF PURCHASING CRUDE FROM THE PRC. THIS INFORMATION IS COMMERCIAL-
LY SENSITIVE, AND SHOULD NOT BE DISCUSSED OUTSIDE THE USG. END SUMMARY.

2. GULF OIL. VICE PRESIDENT DON THOMSON AND TWO ASSOCIATES VISITED PEKING FROM FEBRUARY 16-20 TO RENEW GULF'S CONTRACT WITH THE CHINA NATIONAL CHARTERING CORPORATION. LAST YEAR GULF SUPPLIED 400,000 BARRELS OF MARINE FUEL OIL TO CHINESE VESSELS (MOSTLY IN THE PANAMA CANAL ZONE) WORTH ABOUT \$4 MILLION.
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GULF'S NEW CONTRACT PROVIDES FOR A HIGHER TARGET

QUANTITY, BUT IS REALLY OPEN-ENDED SINCE THE CHINESE CAN PURCHASE AN UNLIMITED AMOUNT AT THE AGREED PRICE. THOMSON SAID HIS FIRM WAS PLEASED WITH THE EXECUTION OF LAST YEAR'S CONTRACT SINCE THE CHINESE EXCEEDED THE TARGET QUANTITY BY 200,000 BARRELS AND PAID PROMPTLY.

3. IN THEIR CONVERSATION WITH SINOCHEN, THE GULF MEN SAID THEY EXPLORED THE POSSIBILITY OF FUTURE PURCHASES OF CRUDE OIL BUT DID NOT DISCUSS SPECIFIC PRICES OR QUANTITIES. IN EARLIER CONVERSATIONS WITH THE CHINA RESOURCES COMPANY IN HONG KONG, GULF WAS TOLD CHINA WOULD NOT SHIP CRUDE OIL TO THE U.S., BUT THOMSON SAID SINOCHEN OFFICIALS SHOWED NO HESITATION ABOUT DISCUSSING DELIVERIES OF OIL TO WEST COAST U.S. PORTS. ACCORDING TO THOMSON, GULF IS NOT INTERESTED AT PRESENT IN BUYING FROM CHINA, BUT IN FUTURE MIGHT LIKE TO ADD CHINA TO THEIR OTHER INTERNATIONAL SOURCES OF SUPPLY. GULF IS INTERESTED, HOWEVER, IN INCREASING THEIR PURCHASES OF PRC PETROLEUM PRODUCTS IN HONG KONG BUT WERE TOLD TO DISCUSS THIS WITH CHINA RESOURCES.

4. MOBILE OIL. A WEEK EARLIER VICE PRESIDENT W.J. YOPP AND A MOBILE TEAM SUCCESSFULLY RENEWED THEIR FIRM'S CONTRACTS WITH THE CHINA OCEAN SHIPPING CORPORATION FOR BUNKERS AND MARINE LUBRICANTS. UNDER THE NEW AGREEMENTS MOBILE WILL PROVIDE 50-100,000 TONS OF MARINE FUEL OIL AND SUPPLY MARINE LUBRICANTS IN THIRD COUNTRY PORTS. LAST YEAR MOBILE SUPPLIED FORTY TO FIFTY THOUSAND BARRELS OF FUEL, MOSTLY IN SINGAPORE AND NORTH AFRICA, AND 1,500 BARRELS OF LUBRICANTS, MOSTLY IN SINGAPORE AND EUROPE.

5. ACCORDING TO YOPP, MOBILE WOULD BE INTERESTED IN PURCHASING CHINESE CRUDE FOR RE-SALE IN SOUTHEAST ASIA, BUT EARLIER DISCUSSIONS HELD WITH THE CHINESE RESOURCES COMPANY ENDED WITH WIDE DISAGREEMENT OVER PRICE. IN PEKING MOBILE DID NOT GO BEYOND A GENERAL DISCUSSION OF FUTURE POSSIBILITIES. YOPP NOTED THE

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PROBLEMS INVOLVED IN TRANSPORTING AND REFINING CHINESE CRUDE AND SEEMED TO FORESEE LITTLE PROSPECT FOR BUSINESS WITHOUT SIGNIFICANT PRICE CONCESSIONS BY THE CHINESE. THAYER

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